

October 15, 2015

Subject: Proposed Fall 2015 Affordable Housing and Sustainable Communities Program Notice of Funding Availability

Quarter: 3rd Quarter 2015

Reporting Period: July, 2015-October, 2015

Staff Lead: Affordable Housing and Sustainable Communities Program Staff

Recommended Action:

Approve issuance of the Fall 2015 Notice of Funding Availability (Fall 2015 NOFA) for the Affordable Housing and Sustainable Communities (AHSC) Program of approximately \$30 million.

Summary:

At the June 2015 Council Meeting, in light of the high quality of applications and substantial effort to prepare and review the 2014-2015 AHSC applications, many members of the public and the Council indicated a desire to award a small amount of the 2015-2016 AHSC funds to projects that applied for funding in Round 1, but could not receive an award due to limited funds and the “jurisdictional cap” in the AHSC Program Guidelines. This cap limits funding for one geographic location to \$15 million.

Accordingly, AHSC program staff recommends that the Council approve issuance of a new Fall 2015 NOFA that authorizes awarding approximately \$30 million of Fiscal Year (FY) 2015-2016 AHSC Program funds to the highest scoring eligible project applications received in Round 1, that either were not awarded any grant funds, or only received an award for partial funding, at the June 2015 Council Meeting. Because statute requires the Council to award all AHSC funds pursuant to guidelines, for additional funding awards at this time the Council must apply the existing AHSC Program Guidelines. However, the remaining FY 2015-2016 AHSC Program funds will be awarded by the Council in 2016 after revision of the AHSC Program Guidelines.

Background:

SB 862, Statutes of 2014, established the Affordable Housing and Sustainable Communities (AHSC) Program, which is administered by the Strategic Growth Council (SGC, or Council). The AHSC Program furthers the purposes of AB 32 (Chapter 488, Statutes 2006) and SB 375 (Chapter 728, Statutes, 2008) by investing in projects that reduce GHG emissions by supporting more compact, infill development patterns, encouraging active transportation and transit usage, and protecting agricultural land from sprawl development. Funding for the AHSC Program is provided from the Greenhouse Gas Reduction Fund (GGRF), an account established to receive Cap-and-Trade auction proceeds and is awarded by the Council. In Fiscal Year (FY) 2014-2015, approximately \$130 million was available from the GGRF for the first funding cycle of the AHSC Program. After adopting AHSC Program Guidelines on January 20, 2015, the Council issued a Notice of Funding Availability dated January 30, 2015 (January NOFA) and awarded those funds, referred to as Round 1 funds, at the Council Meeting on June 30, 2015.

SB 862 apportioned 20 percent of GGRF annual proceeds to the AHSC Program beginning in FY 2015-2016.

Proposed Fall 2015 NOFA

The proposed draft Fall 2015 NOFA is attached to this Report. The draft NOFA provides detail on projects eligible to apply for this round of funding, loan and grant amounts, application scoring and recommendations, and application procedures and deadlines. Key Council considerations are noted below.

Eligibility

AHSC program staff recommends that the only projects eligible for funds pursuant to the proposed NOFA are projects that

1. Applied in Round 1 and was invited to submit a Full Application, and
2. Received a Final Score greater than 60%, but were not awarded any funds, or only received an award for partial funding, at the June 2015 Council Meeting.

This score cut-off will ensure that only the highest quality applications submitted in response to the prior NOFA are eligible for the limited amount of AHSC Program funds offered at this time, and will also allow for a competitive award of funds.

The projects that are eligible for funding pursuant to the Fall 2015 NOFA are listed in Attachment A. These include three projects that received partial funding from the Council at the June 2015 meeting. For these projects, the "Unfunded Amount" of the request for funding is listed. Four projects are eligible that received high scores, but were not selected for funding because of the "jurisdictional cap" of \$15 million for one geographic location in the AHSC Program Guidelines. To ensure competition and account for the possibility that projects withdraw or requested funding amounts are reduced, staff recommends that all projects that scored over 60% are eligible for funding pursuant to this NOFA. Using 60% as the minimum qualifying score, three additional projects are eligible to apply for funding under this NOFA.

Application Requirements

In order to apply for the Fall 2015 funds, a Statement of Continued Interest (Statement) will be submitted to the Department of Housing and Community Development (HCD) by eligible applicants. This Statement will establish whether funding for the project is still requested, if the amount requested has been reduced, and if there are any substantial changes to the scope of the project. **If there are substantial changes to the scope of a project, it is not eligible to receive an award of funds pursuant to the Fall 2015 NOFA.** This condition is required because if the scope has substantially changed, the GHG emission reductions and other project benefits used to score the applications may be substantially different, and resulting in a Final Score that may no longer be applicable.

Application Scoring for Fall 2015 NOFA

It is not the intent of AHSC program staff to re-score applications for the Fall NOFA round. However, if the only change to an application is a reduced funding request because other funds

were obtained, two scoring criteria will be affected: the GHG reduction score (Total GHG reductions per AHSC funds requested), and the Capital Leverage score. The Round 1 score may then be modified using the methodology in the AHSC Program Guidelines and updated information provided by the Fall 2015 applicant. The Final Fall 2015 NOFA will describe details how AHSC program staff will address potential changes in Final Score.

AHSC Fall 2015 Award Recommendations

At a subsequent Council meeting, AHSC program staff will provide recommendations to the Council for awarding approximately \$30 million to eligible projects. However, the Council retains the right to determine the appropriate amount to award, which projects to select, and whether to award more or less than \$30 million to eligible projects.

As noted previously, four projects but were not selected for funding because of the “jurisdictional cap” for one geographic location. This \$15 million limit applies separately to each round of funding granted pursuant to a separate NOFA, so it does not prevent awarding additional funds to these projects pursuant to this NOFA. However, the limit of \$15 million to each geographic location again applies for this NOFA, and could impact which of the eligible projects are awarded funds.

As previously noted, the current AHSC Program Guidelines must be applied in recommending and selecting projects to receive funds pursuant to this NOFA. In addition to the \$15 million jurisdictional cap, criteria in the Guidelines include awarding a minimum of 30% of funds to Integrated Connectivity Project (ICP) Areas and awarding a minimum of 40% of funds to Transit Oriented Development (TOD) Project Areas. These criteria may restrict the ability of the Council to fund some of the projects eligible to apply under this NOFA.

While the Guidelines also provide some authority for the Council to make adjustments in the award of funds, until the responses to the NOFA are received – indicating whether projects still request funding and if any funding requests are reduced, and staff determines whether any project scores should be revised – it is not possible to determine all the options available to the Council regarding selection of projects for new awards. This will be addressed at a subsequent meeting when the Council considers award recommendations pursuant to the Fall 2015 NOFA.